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STATISTICAL BULLETIN

Volume 17, No. 11, November, 1984

— CONTENTS —

Comment	2-3
Status of Leading Economic Indicators	4
Diffusion Indexes	5
Business Executives' Expectations	5
Capital Appropriations	6
Key Determinants of Profit Margins	7
Economic Forecasts	8-9
Selected International Comparisons	10-11
Perspective on The Federal Budget	12
Fiscal Thrust	12
Money Supply and Monetary Policy	13
Help-wanted Advertising Indexes	14
Consumer Confidence and Buying Plans	15
Discretionary Spending	15
Automobile Sales	16

The Conference Board

COMMENT

The economic expansion has now passed its second anniversary and its middle-aged spread is beginning to be noticeable. Bred in an environment of fiscal stimulus and monetary restriction, the recovery grew sharply but unevenly. Middle-aged expansions tend to develop bad cases of rising inflation. That hasn't, isn't, and is generally not expected to develop in this instance. On the other hand, the unholy trio of high interest rates, high trade deficits, and the high value of the dollar is restricting the pace of expansion. Indeed, the economy is now growing not much faster than the labor force and the *Economic Forecasts* indicate that the pace of activity will not accelerate through the forecast horizon (fourth quarter of 1986). In short, 1983 and 1984 were two very good years. The more mature expansion of the next two years is not expected to match the pace set in its youthful days.

A strong consumer-led recovery, spurred by the stimulus imparted by an outsized Federal Government deficit, ignited the opening quarters of the expansion phase in this business cycle. Real GNP grew by 6.1% from the fourth quarter of 1982 to the fourth quarter of 1983. The inflation rate was 4.1% in this four-quarter span and unemployment dropped to 8.1% by the fourth quarter of 1983. Consumer demand slowed markedly in the second year of this phase in the cycle as the released pent-up demand completed its appointed rounds. Business investment then began its recovery and economic expansion continued to roll merrily along. The *Economic Forecasts* indicate that real GNP has risen by 5.6% from the fourth quarter of 1983 to the fourth quarter of 1984 (median of the forecasts). This strong growth performance was achieved without any resurgence of inflation. The forecasts show that prices rose by only 3.8% in this four-quarter span. Further, the strong economic performance has allowed the unemployment rate to fall to a 7.3% rate for the fourth quarter of 1984 (median of the forecasts).

This two-year resurgence in consumer and business demand has strained the economy's ability to step up production. Manufacturers' capacity utilization rate first went over the 80% mark in October, 1983 (see the chart on page 7). The operating rate hit 82% in February, 1984, and has remained at that high level ever since. The economy's strained ability to step up production to meet consumer and business demand opened wider a window of opportunity for foreign production.

The data on the *Money Supply and Monetary Targets* chart show that money-supply growth was higher in 1983 than the Federal Reserve's established target range. In hindsight, neither the Fed nor anyone else anticipated so strong a recovery without any upward pressure on prices—despite continued outsized Federal Government deficits. Given the extent of economic growth, the relatively restrictive money supply, concern about a possible resurgence of inflation, and changes in the banking system (concerning which institutions could offer differing services) held interest rates substantially higher than the inflation rate. The Federal Funds rate—the rate at which banks borrow from other banks—gradually rose from about 8½% at the beginning at 1983 to about 9½% by the end of the year.

As indicated on the money chart, money growth has been held more closely to the target ranges established for 1984 during this year. That tighter check on money growth is one reason why the Federal Funds rate climbed from about 9½% at the end of 1984 to almost 12% by August, 1984. Strong economic growth, high interest rates, and low inflation made the dollar almost too alluring for foreign investors to resist. The trade-weighted *Exchange Rate* of the dollar against other major currencies, which rose by about 10% in each of the last three years, continued to climb at that same pace in the first ten months of 1984. The strong dollar has also made imported goods almost too alluringly priced for domestic buyers to resist: Imports flooded into U.S. markets driving the trade deficit deeper into the red.

Large budget deficits fueled a strong expansion but also helped keep interest rates high, which fueled a rise in the dollar, which opened the floodgates wide for a surge in imports that widened the trade deficit. Further, although the size of the budget deficits has not been trimmed very much, their stimulative punch now packs less of a wallop. The data on the *Perspective on the Federal Budget* show that the deficit was $195 billion in fiscal 1983, and about $170 billion in the just-completed fiscal 1984. Both the Administration's proposal and the congressional estimate put the deficit for the current fiscal year at about the same level as it was in the last fiscal year. Yet, the economy grew at almost a 6% pace over the last eight quarters. That arithmetic says that if the size of the deficit has not changed but the economy has put in two strong years of growth, the deficit's impact on the economy must have diminished a little. The Conference Board's estimate of *Fiscal Thrust*—the initial impact of the budget on the economy—was at hurricane strength as the recovery got

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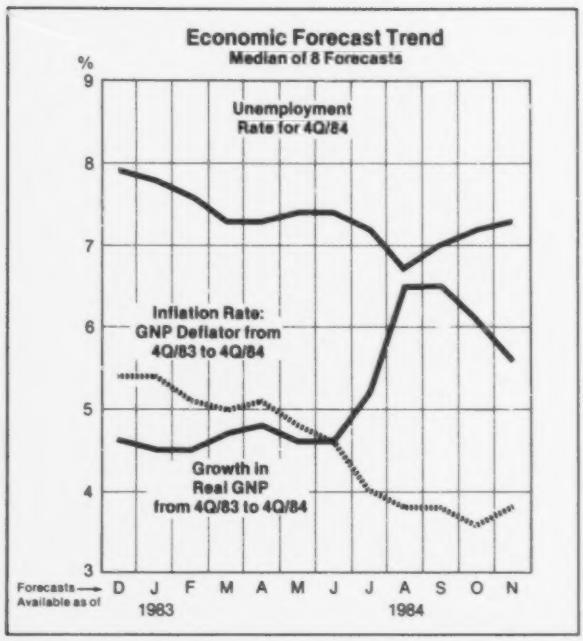


under way, but is probably closer to gale force now and will continue to ebb through 1985.

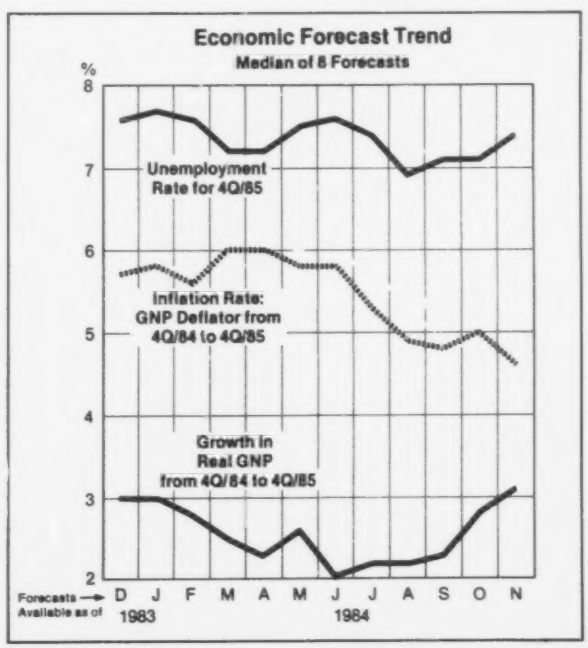
Less *Fiscal Thrust*, high trade deficits, high interest rates, and a strong dollar have combined to reduce a strong expansion to the point where economic growth is only matching the growth in the labor force in the second half of 1984. And the *Economic Forecasts* indicate that real GNP will grow by only about 3.1% from the fourth quarter of 1984 to the fourth quarter of 1985 (median of the forecasts). That growth rate is too slow to allow improvement in the unemployment rate. The forecasts expect the rate still to be at 7.4% by the fourth quarter of 1985. Since the dollar is imparting such a strong price advantage to imports, domestic producers are constrained from raising their prices very quickly. Thus, the forecasts suggest that the inflation rate will remain well in check, at only about 4½% in the current four-quarter span.

The first look at prospects for 1986 suggests that the picture does not brighten very much. Interest rates have declined a bit of late; and, by fits and starts, they could well move closer to the inflation rate over the next eight quarters. Slower economic growth might keep the trade deficit from widening as fast in the next two years as it has in the last two. Declines in interest rates remove one prop from under the value of the dollar, possibly even allow it to come down out of the stratosphere. One big question that remains is when—and how much—progress will be achieved in cutting down budget deficits. The recent election, decisive as it was, may well have left that question still unanswered.

The pace of activity in 1986 may not quicken much from the pace set in 1985. Those *Economic Forecasts* that extend through the forecast horizon indicate that real GNP will rise by about 2.8% from the fourth quarter of 1985 to the fourth quarter of 1986. That pace is obviously still too slow to allow for much progress on further lowering the unemployment rate. Unquestionably, the brightest light in the economic skies remains the continued dampened inflation expectations. The forecasts suggest that prices will rise by only about 5.1% from the fourth quarter of 1985 to the fourth quarter of 1986.

Weak demand for OPEC oil has put the price of that crucial product under continuous pressure. The rise in energy prices had much to do with the inflationary spiral in the 1970's. Weak energy prices in the 1980's may help to keep inflation from spiraling upward in this decade. Good labor-productivity gains and moderate wage demands could keep unit labor-cost increases from putting too much upward pressure on prices. The high value of the dollar is helping to keep inflation in check at the moment. That high dollar value, however, is more attributable to currency speculation than to fundamental economic trends. A shift in the winds of speculation could bring the dollar down significantly—but probably not all at once. What will happen when the downward pressure that the dollar exerts on prices is released? If prices start to rise a little faster, will a new mad scramble to stay ahead of inflation be set off? The forecasts say no. Forecasts, however, have proven to be off the mark on occasion.

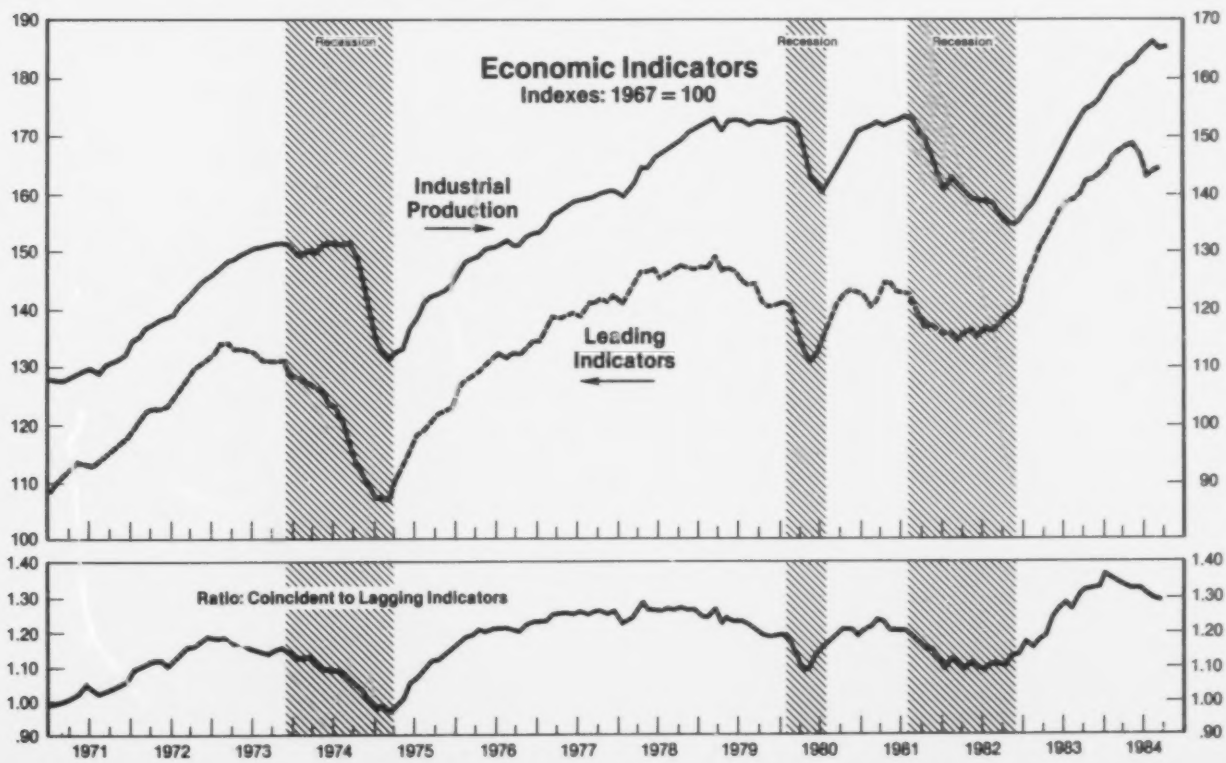
Ken Goldstein
November 9, 1984



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept.		X		+ 1.4%	+ 2.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sept.			X	— 3.4%	+ 1.8%
New orders, nondefense capital goods (deflated)	Sept.		X		— 4.7%	+ 1.4%
*New business formation	Sept.	X			+ 3.6%	+ 4.3%
*Housing permits	Sept.			X	—18.6%	— 6.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept.		X		+ 0.4%	+ 4.2%
*Change in inventory, on hand & order (deflated)	Aug.			X	—21.2%	+ 3.9%
Purchasing agents' buying policy	Oct.			X	— 4 %	— 2 %
*Vendor performance, reported slower deliveries	Sept.			X	— 8 %	— 2 %
Industrial raw materials prices	Oct.			X	— 4.8%	— 2.5%
*Change in sensitive material prices	Sept.			X	— 0.9%	— 2.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sept.	X			+ 0.4%	+ 3.0%
Change in business loans	Sept.			X	—66.4%	+ 43.6%
*Change in credit outstanding	Sept.			X	— 9.7%	+ 11.4%
Change in consumer installment debt	Aug.			X	—50.8%	+ 22.9%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	— 1.0%	+ 19.4%
*Common stock prices	Oct.		X		+ 8.5%	— 2.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.		X		0.0hr	— 0.1hr
*Initial unemployment claims (inverted)	Oct.			X	— 3.8%	+ 1.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators,* (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



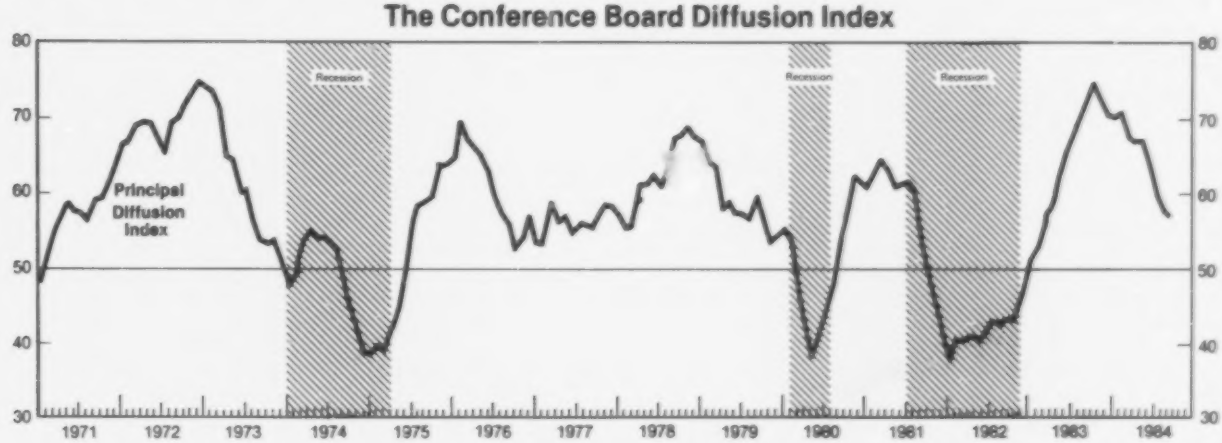
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Sept.	1984 June	July	Aug.	Sept.(e)
Principal Diffusion Index	72.0	64.1	59.2r	57.8r	57.1
Auxillary Diffusion Index	58.1	40.3	34.1r	45.5r	47.5
Industrial Group	78.8	68.1	63.1r	61.9r	60.0
Nonindustrial Group	65.1	60.1	55.3	53.7r	54.1
Sense of Diffusion		1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	85.5	59.0	54.3r	55.6r	59.8
Labor	77.3	73.8	65.0	63.3r	61.5
Miscellaneous	72.4	67.3	71.8	67.9r	56.4
Nonindustrial Subgroups					
Prices	73.7	56.4	46.8	46.2	45.5
Consumer	70.5	75.6	69.7	63.7	68.4
Building	59.0	61.5	59.6	57.7r	56.4
Miscellaneous	58.1	46.2	43.6	46.2r	44.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982 Feb.	1982 May	1982 Aug.	1982 Nov.	1983 Feb.	1983 May	1983 Aug.	1983 Nov.	1984 Feb.	1984 May	1984 Aug.
	Score (scale 0-100)										
Measure of Business Confidence	47	52	55	60	70	76	75	74	70	65	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	23	30	38	44	65	76	82	80	76	75	70
2. Expectations for Economy, Six Months Ahead	59	64	65	70	76	78	74	73	67	60	57
Expectations for Own Industry, Six Months Ahead	58	61	61	65	70	72	69	70	67	61	57

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

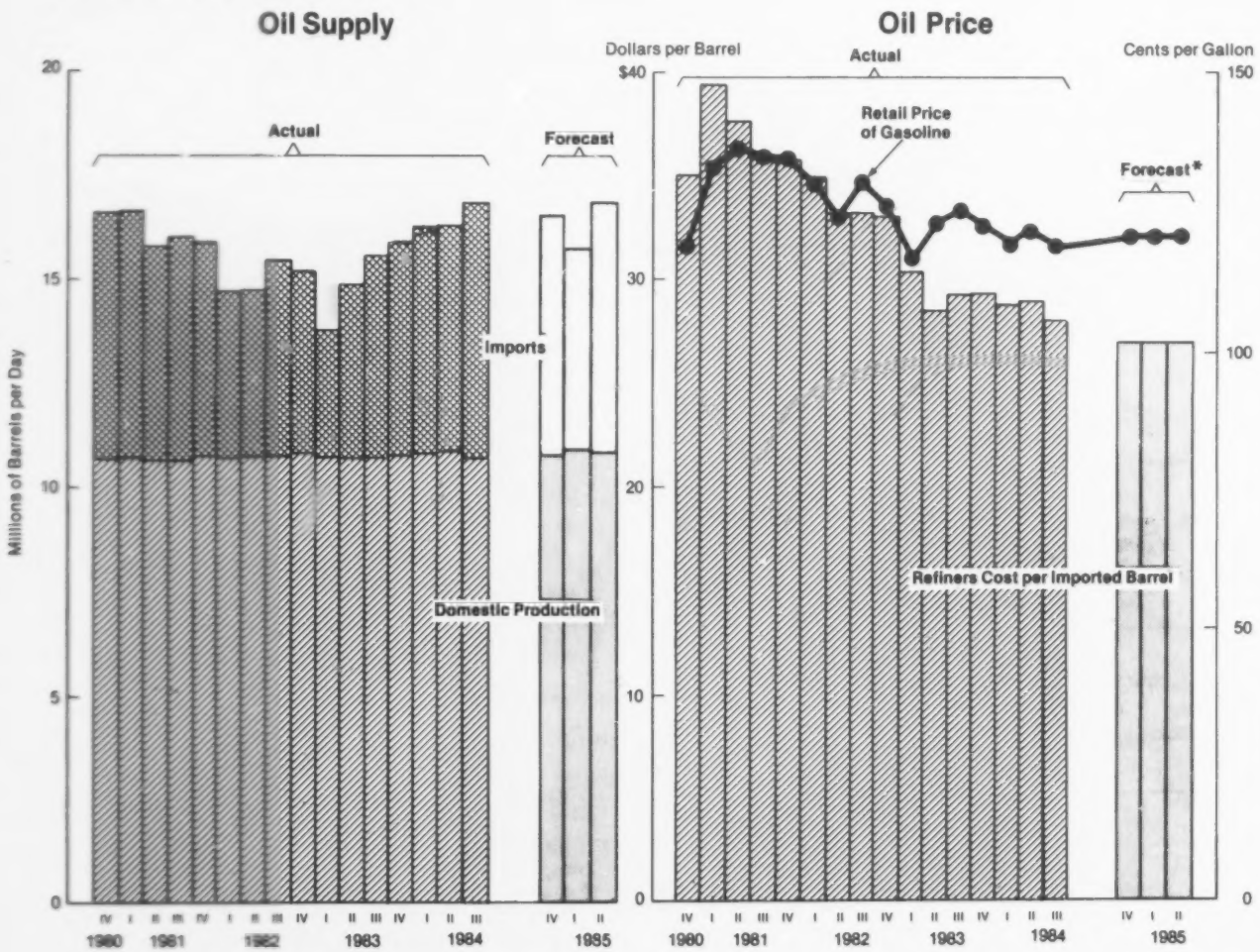
	1982	1983				1984		Percent Change From Previous Year		
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	1982 Actual	1983 Actual	1984 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	21.488	20.072	20.874	22.875	24.262	26.816	37.092	−18	1	20
Capital expenditures	22.887	19.108	18.664	18.244	19.560	19.905	21.882	− 3	−23	25
Change in appropriations backlog*	−3.395	−1.160	+0.982	+1.988	+0.928	+5.152	+13.764			
Durable Goods										
New appropriations	8.238	8.130	9.293	9.119	11.024	13.662	21.153	−24	17	10
Capital expenditures	8.949	7.942	7.717	7.667	8.727	8.714	9.895	− 7	−19	31
Change in appropriations backlog*	−1.351	−0.676	+0.887	+1.466	+0.819	+4.057	+10.919			
Nondurable Goods										
New appropriations	13.250	11.942	11.581	13.666	13.238	13.154	15.939	−14	−9	27
Capital expenditures	13.938	11.166	10.947	10.577	10.833	11.191	11.987	0	−26	21
Change in appropriations backlog*	−2.044	−0.484	+0.095	+0.522	+0.109	+1.095	+2.845			
ELECTRIC & GAS UTILITIES										
New appropriations	9.939	7.614	6.663	5.831	6.968	5.388	8.440			
Capital expenditures	9.384	8.996	9.236	9.024	8.292	8.947	9.342			
Change in appropriations backlog*	−4.709	−4.916	−6.849	−3.913	−4.056	−5.927	−2.655			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

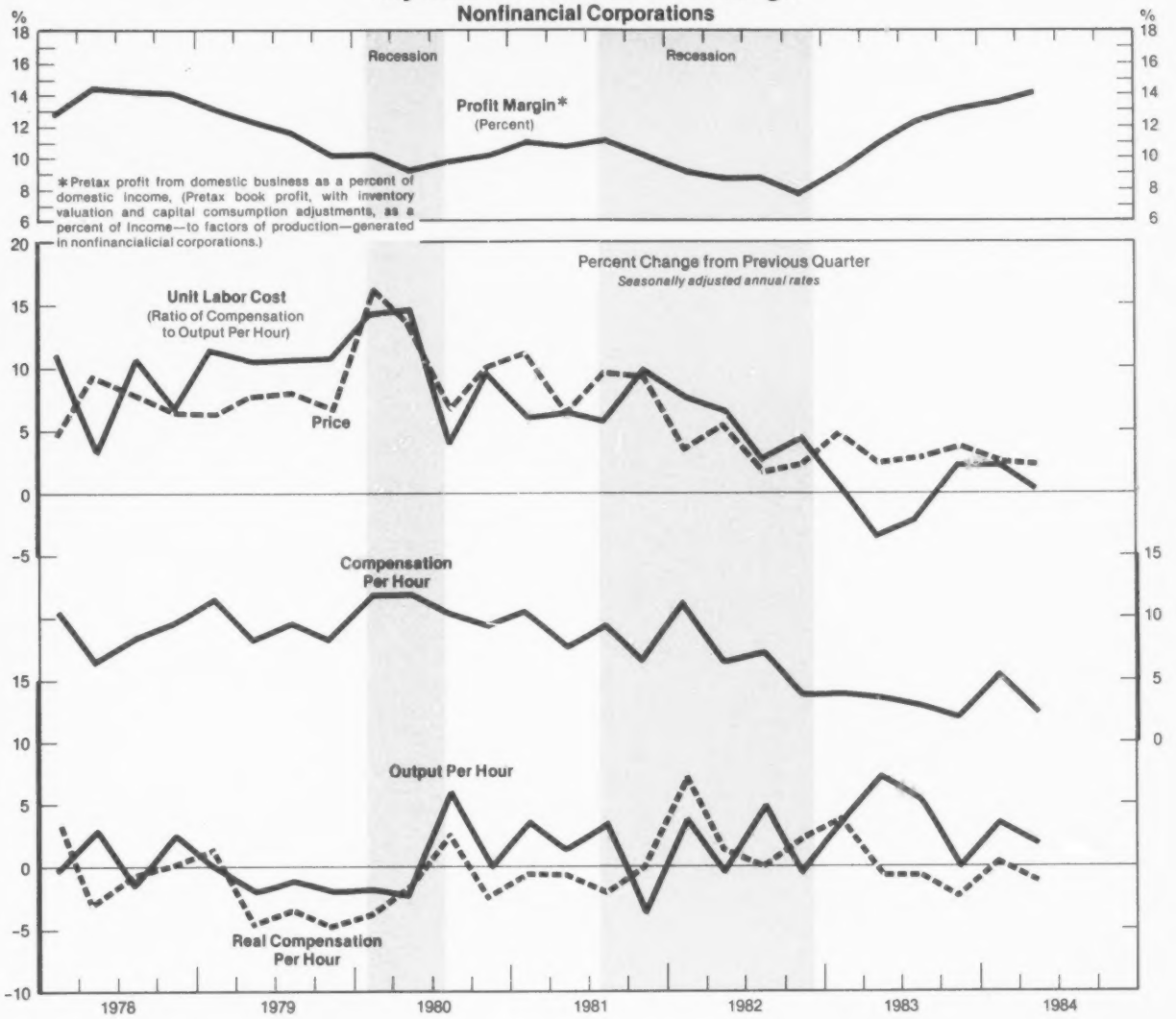
** Results based on survey respondents' expectations.



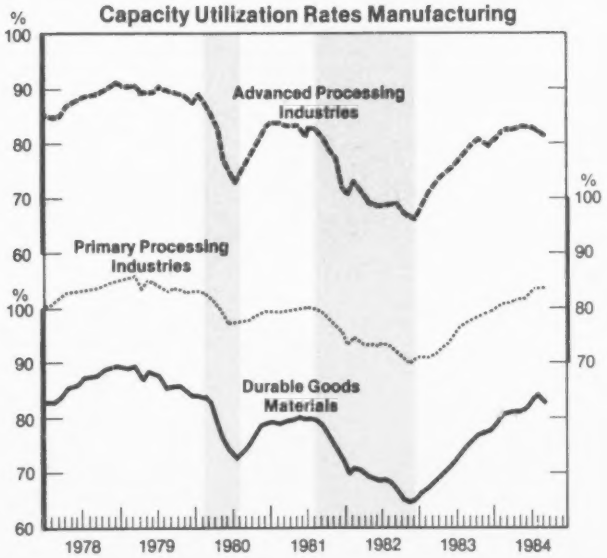
*Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin

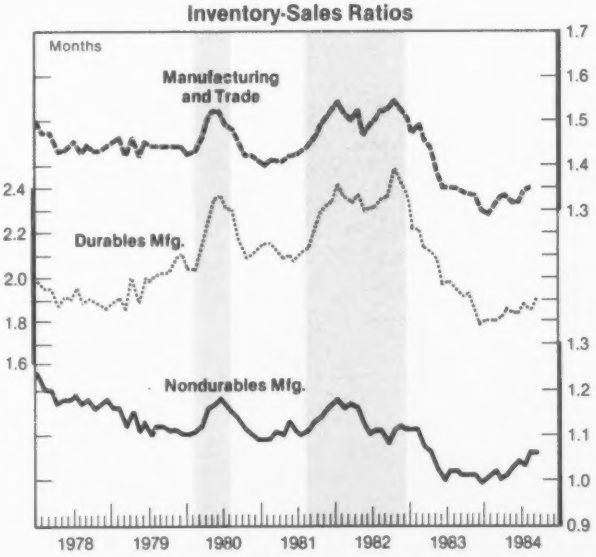
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Oct., 1984*		*Sept., 1984*		*Oct., 1984*		*Oct., 1984*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**III**	**$3701.2**	**6.3%**			**$3701.2**	**6.3%**	**$3701.2**	**6.3%**
		IV	3758.4	6.3	$3784.1	9.1%	3738.0	4.0	3758.2	6.3
	1985	I	3834.9	8.4	3855.3	7.7	3794.7	6.2	3842.1	9.2
		II	3900.4	7.0	3933.7	8.4	3874.0	8.6	3921.1	8.5
		III	3957.4	6.0	3977.8	4.6	3969.5	10.2	3997.1	8.0
		IV	4034.9	8.1	4053.0	7.8	4066.2	10.1	4076.8	8.2
	1986	I	4121.3	8.8			4154.6	9.0	4158.1	8.2
		II	4219.9	9.9			4231.2	7.6	4227.0	6.8
		III	4325.0	10.3			4300.2	6.7	4305.9	7.7
		IV	4428.8	10.0			4351.1	4.8		
	1984	Annual	3664.4	10.9	3671.3	11.1	3659.3	10.7	3664.4	10.9
	1985	Annual	3931.9	7.3	3955.0	7.7	3926.1	7.3	3959.3	8.0
	1986	Annual	4273.8	8.7			4259.3	8.5		
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**III**	**$1649.6**	**2.7%**			**$1649.6**	**2.7%**	**$1649.6**	**2.7%**
		IV	1659.8	2.5	1667.4	4.5	1654.0	1.1	1660.0	2.5
	1985	I	1675.8	3.9	1678.5	2.7	1668.0	3.4	1676.3	4.0
		II	1689.6	3.3	1693.8	3.7	1688.0	4.9	1691.6	3.7
		III	1699.5	2.4	1692.7	-.3	1711.0	5.6	1704.5	3.1
		IV	1714.3	3.5	1702.8	2.4	1734.0	5.5	1715.1	2.5
	1986	I	1731.5	4.1			1753.0	4.5	1721.8	1.6
		II	1751.8	4.8			1763.0	2.3	1723.9	.5
		III	1773.2	5.0			1766.0	.7	1728.6	1.1
		IV	1791.2	4.1			1758.0	-1.8		
	1984	Annual	1639.8	6.8	1641.6	7.0	1638.3	6.8	1639.8	6.9
	1985	Annual	1694.8	3.4	1692.0	3.1	1700.3	3.8	1696.9	3.5
	1986	Annual	1761.9	4.0			1760.0	3.5		
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**III**	**224.4**	**3.6%**	**224.5**	**3.9%**	**224.4**	**3.6%**	**224.4**	**3.6%**
		IV	226.4	3.7	226.9	4.4%	226.0	2.9	226.4	3.7
	1985	I	228.8	4.3	229.7	4.9	227.5	2.7	229.2	5.0
		II	230.8	3.6	232.2	4.5	229.5	3.6	231.8	4.6
		III	232.9	3.5	235.0	4.8	232.0	4.4	234.5	4.7
		IV	235.4	4.4	238.0	5.2	234.5	4.4	237.7	5.6
	1986	I	238.0	4.6			237.0	4.3	241.5	6.5
		II	240.9	4.9			240.0	5.2	245.2	6.3
		III	243.9	5.1			243.5	6.0	249.1	6.5
		IV	247.3	5.6			247.5	6.7		
	1984	Annual	223.4	3.8	223.6	3.9	223.3	3.7	223.4	3.8
	1985	Annual	232.0	3.8	233.7	4.5	230.9	3.4	233.3	4.4
	1986	Annual	242.5	4.5			242.0	4.8		
Unemployment Rate										
Actual	**1984**	**III**	**7.5%**		**7.5%**		**7.5%**		**7.5%**	
		IV	7.3		7.1		7.4		7.5	
	1985	I	7.2		7.1		7.0		7.3	
		II	7.2		7.3		7.0		7.2	
		III	7.2		7.5		6.7		7.0	
		IV	7.2		7.5		6.6		7.0	
	1986	I	7.1				6.5		7.1	
		II	7.0				6.6		7.3	
		III	6.9				6.6		7.6	
		IV	6.8				7.0			
	1984	Annual	7.5		7.5		7.6		7.6	
	1985	Annual	7.2		7.4		6.8		7.1	
	1986	Annual	7.0				6.7			

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1]Based on revised (2nd revision) second quarter data.
[2]Based on third quarter data.

ECONOMIC FORECASTS (continued)

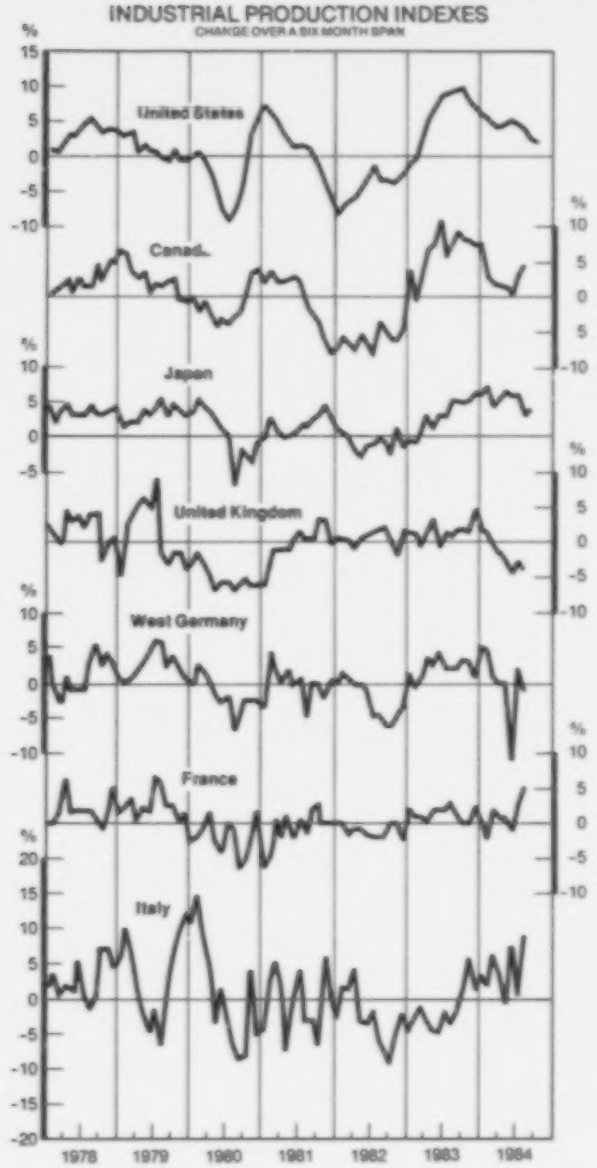
The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Oct., 1984		*Oct., 1984*		*Oct., 1984*		*Oct., 1984*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3701.2	**6.3%**	**$3701.2**	**6.3%**	**$3701.2**	**6.3%**	**$3701.2**	**6.3%**	**III**	**1984**	**Actual**
3758.0	6.3	3762.8	6.8	3756.8	6.1	3767.8	7.4	IV		
3817.0	6.4	3835.8	8.0	3825.7	7.5	3860.2	10.2	I	1985	
3852.0	3.7	3915.7	8.6	3871.1	4.8	3930.3	7.5	II		
3894.0	4.4	3992.7	8.1	3912.0	4.3	3998.6	7.1	III		
3989.0	10.1	4071.1	8.1	3973.0	6.4	4068.7	7.2	IV		
		4139.4	6.9	4042.4	7.2	4139.8	7.2	I	1986	
		4217.6	7.8	4124.2	8.3	4203.2	6.3	II		
		4298.7	7.9	4214.1	9.0	4262.2	5.7	III		
		4392.9	9.1	4304.2	8.8	4342.9	7.8	IV		
3664.3	10.9	3665.5	10.9	3664.0	10.9	3666.8	11.0	Annual	1984	
3888.0	6.1	3953.8	7.9	3895.5	6.3	3964.5	8.1	Annual	1985	
		4262.2	7.8	4171.2	7.1	4237.0	6.9	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1649.6	**2.7%**	**$1649.6**	**2.7%**	**$1649.6**	**2.7%**	**$1649.6**	**2.7%**	**III**	**1984**	**Actual**
1661.8	3.0	1658.5	2.2	1659.1	2.3	1663.1	3.3	IV		
1675.2	3.3	1672.5	3.4	1672.0	3.1	1682.1	4.6	I	1985	
1670.9	-1.0	1687.0	3.5	1677.3	1.3	1693.9	2.8	II		
1671.0	.0	1700.0	3.1	1681.0	.9	1705.1	2.7	III		
1690.6	4.8	1709.4	2.2	1689.8	2.1	1715.3	2.4	IV		
		1715.4	1.4	1701.6	2.8	1722.0	1.6	I	1986	
		1727.3	2.8	1717.2	3.7	1725.3	.8	II		
		1741.2	3.3	1735.0	4.2	1723.7	-.4	III		
		1757.5	3.6	1750.4	3.6	1730.4	1.6	IV		
1640.3	6.9	1639.5	6.6	1639.6	6.8	1640.6	6.9	Annual	1984	
1676.9	2.2	1692.2	3.2	1680.0	2.5	1699.1	3.6	Annual	1985	
		1735.3	2.5	1726.1	2.7	1725.3	1.5	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
224.4	**3.6%**	**224.4**	**3.6%**	**224.4**	**3.6%**	**224.4**	**3.6%**	**III**	**1984**	**Actual**
226.1	3.2	226.9	4.6	226.4	3.7	226.6	3.9	IV		
227.9	3.1	229.3	4.4	228.8	4.3	229.5	5.3	I	1985	
230.5	4.8	232.1	4.9	230.8	3.5	232.0	4.5	II		
233.0	4.4	234.9	4.8	232.7	3.4	234.5	4.3	III		
236.0	5.1	238.2	5.7	235.1	4.2	237.2	4.7	IV		
		241.3	5.4	237.6	4.2	240.4	5.5	I	1986	
		244.2	4.8	240.2	4.5	243.6	5.5	II		
		246.9	4.5	242.9	4.6	247.3	6.1	III		
		250.0	5.1	245.9	5.1	251.0	6.1	IV		
223.4	3.7	223.6	3.8	223.4	3.8	223.5	3.8	Annual	1984	
231.8	3.8	233.6	4.5	231.9	3.8	233.3	4.4	Annual	1985	
		245.6	5.1	241.6	4.2	245.6	5.3	Annual	1986	
								Unemployment Rate		
7.5%		**7.5%**		**7.5%**		**7.5%**		**III**	**1984**	**Actual**
7.5		7.3		7.3		7.3		IV		
7.5		7.2		7.3		7.1		I	1985	
7.9		7.3		7.4		6.9		II		
8.1		7.4		7.5		6.8		III		
7.8		7.5		7.7		6.8		IV		
		7.5		7.7		7.0		I	1986	
		7.4		7.7		7.2		II		
		7.2		7.7		7.4		III		
		7.0		7.6		7.4		IV		
7.6		7.5		7.5		7.5		Annual	1984	
7.8		7.4		7.5		6.9		Annual	1985	
		7.3		7.7		7.3		Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

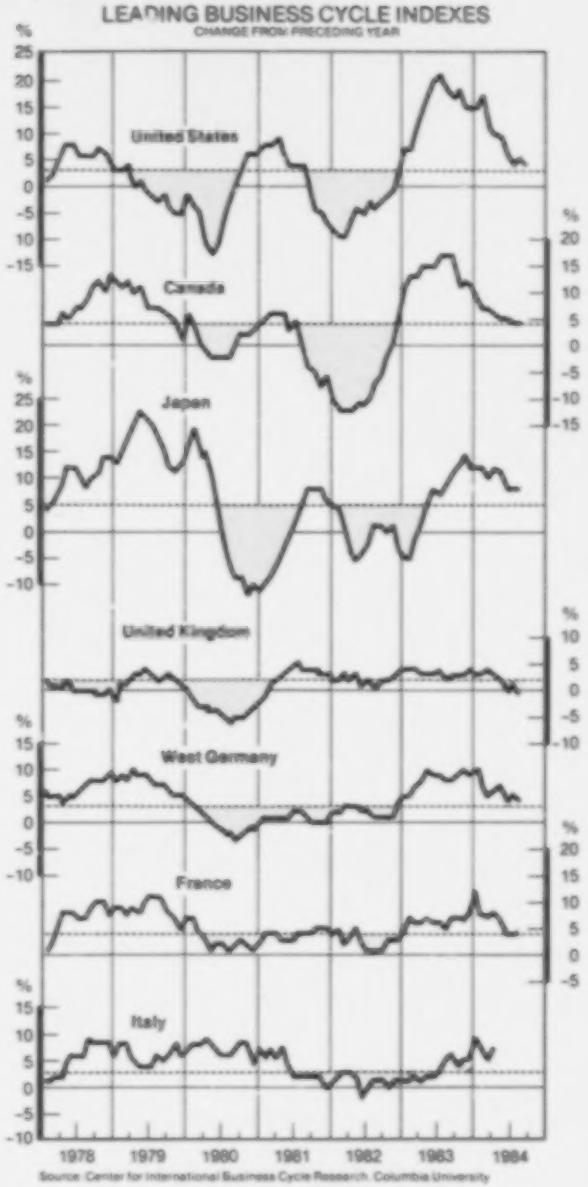
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

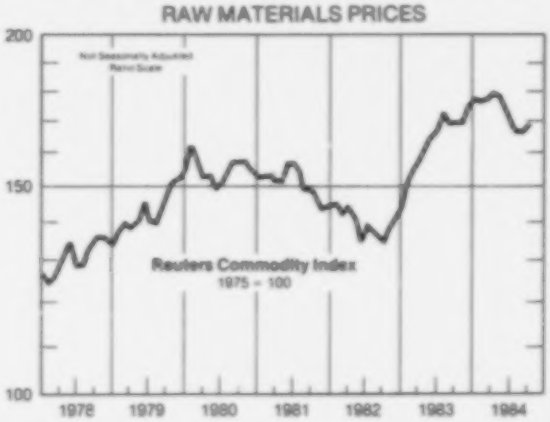
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100

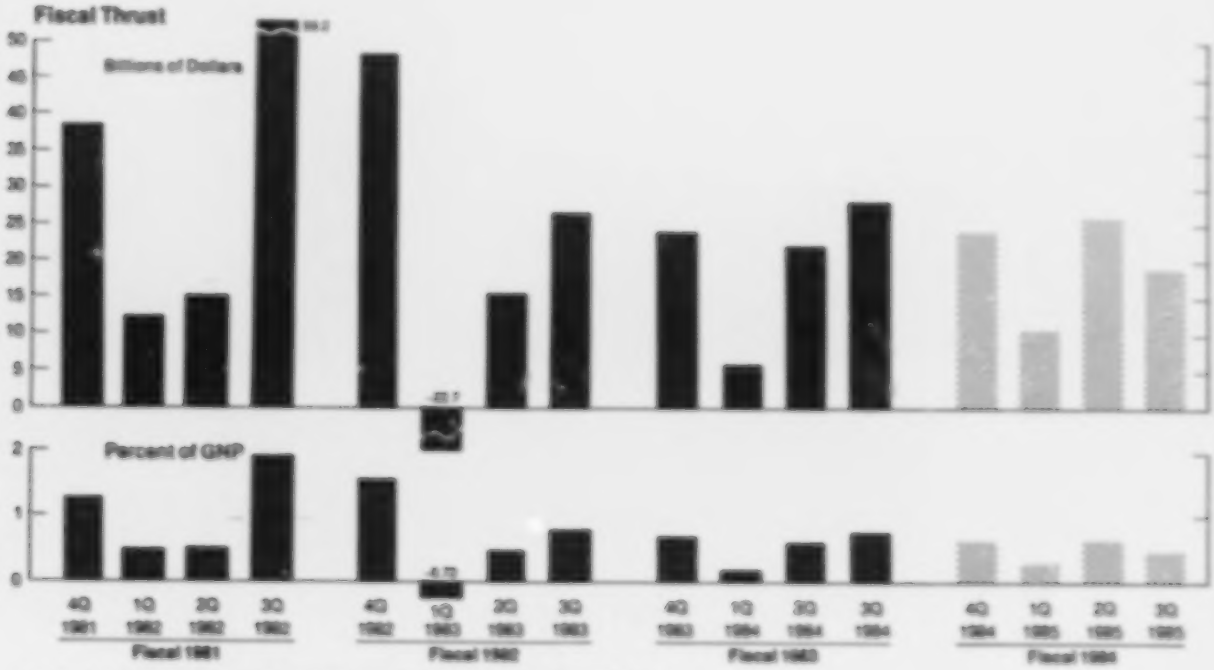
Note: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

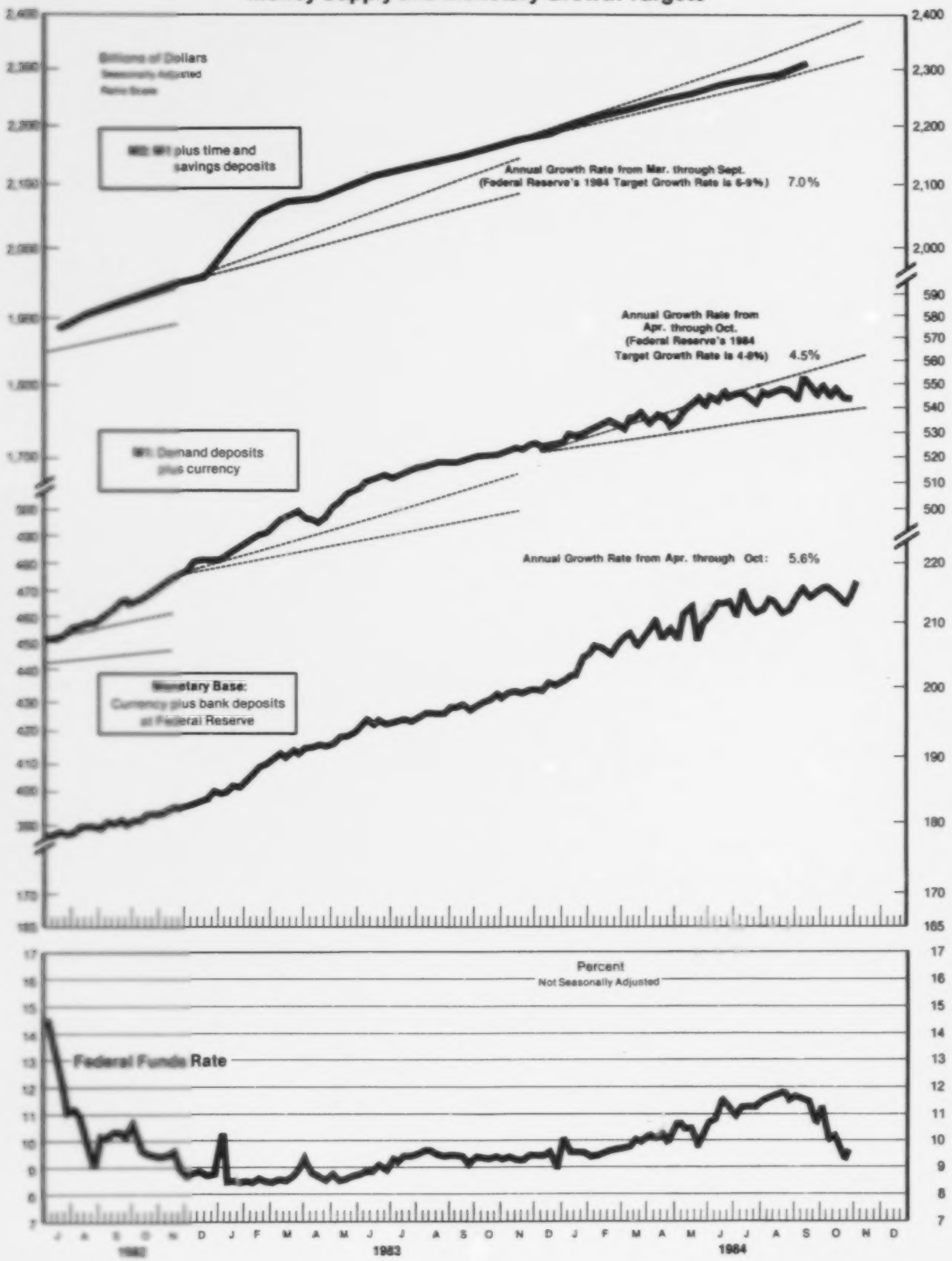
	Fiscal 1983	Fiscal 1984		Fiscal 1985		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(2/1/84)	(2/14/84)	(9/25/84)	(2/1/84)	(2/14/84)	(9/25/84)
Receipts	**600.6**	**670.7**	**672.9**	**737.3**	**783.6**	**790.9**
Outlays	**796.0**	**845.0**	**845.6**	**944.9**	**930.6**	**932.1**
Deficit	**-195.9**	**-174.3**	**-172.7**	**-207.7**	**-196.9**	**-181.2**
Receipts by source	**600.6**	**670.7**	**672.9**	**737.3**	**783.6**	**790.9**
Individual income taxes	298.9	299.5		323.4	341.8	
Corporate income taxes	37.0	58.0		75.5	74.3	
Social insurance	209.0	241.2		259.0	271.5	
Other receipts	65.7	71.1		69.4	76.2	
Outlays by function	**796.0**	**845.0**	**845.6**	**944.9**	**930.6**	**932.1**
National defense	209.9	233.6	230.4	284.4	286.2	282.9
Social security and medicare	223.3	237.8	274.6	261.4	258.1	254.1
Income security	122.2	95.2		116.9	110.3	111.7
Health	28.7	30.6	89.4	34.4	33.8	34.2
Education and manpower	26.6	26.2	29.0	29.0	29.4	29.9
Transportation	21.4	25.1	24.9	27.4	26.9	27.1
Veterans' benefits	24.8	25.9	25.9	26.6	26.7	26.4
International affairs	9.0	12.6	12.3	14.1	17.2	16.5
Agriculture	22.2	10.2	11.8	14.3	15.1	16.4
National resources and environment	12.7	12.2	12.3	11.8	11.6	12.0
General science	7.7	8.2	8.3	8.4	8.7	8.6
Community development	6.8	7.3	7.3	7.7	7.7	8.2
Revenue sharing	6.5	6.7	6.8		6.5	6.5
Justice	5.1	5.9	5.9	6.2	6.2	6.1
General government	4.8	5.3	5.1	5.7	5.6	5.6
Energy	4.0	2.4	2.5	3.4	2.8	4.1
Commerce and housing credit	4.4	4.6	4.4	1.6	0.3	2.0
Interest	89.8	109.4	111.1	117.9	130.2	133.8
Allowances			0.6	1.5	1.0	- 0.7
Undistributed offsetting receipts	-34.0	-16.2	-16.0	-34.6	-33.8	-33.2

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of 'fiscal thrust' which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the 'multiplier effect' within the private sector of the economy. For more complete descriptions, see Richard Lahey, The Federal Budget: Its Impact on the Economy (1984-3), The Conference Board, New York, 1984.

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
M2: M1 plus time and savings deposits
Annual Growth Rate from Mar. through Sept.
(Federal Reserve's 1984 Target Growth Rate is 6-9%) 7.0%
Annual Growth Rate from Apr. through Oct.
(Federal Reserve's 1984 Target Growth Rate is 4-8%) 4.5%
M1: Demand deposits plus currency
Annual Growth Rate from Apr. through Oct: 5.6%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
1982
1983
1984

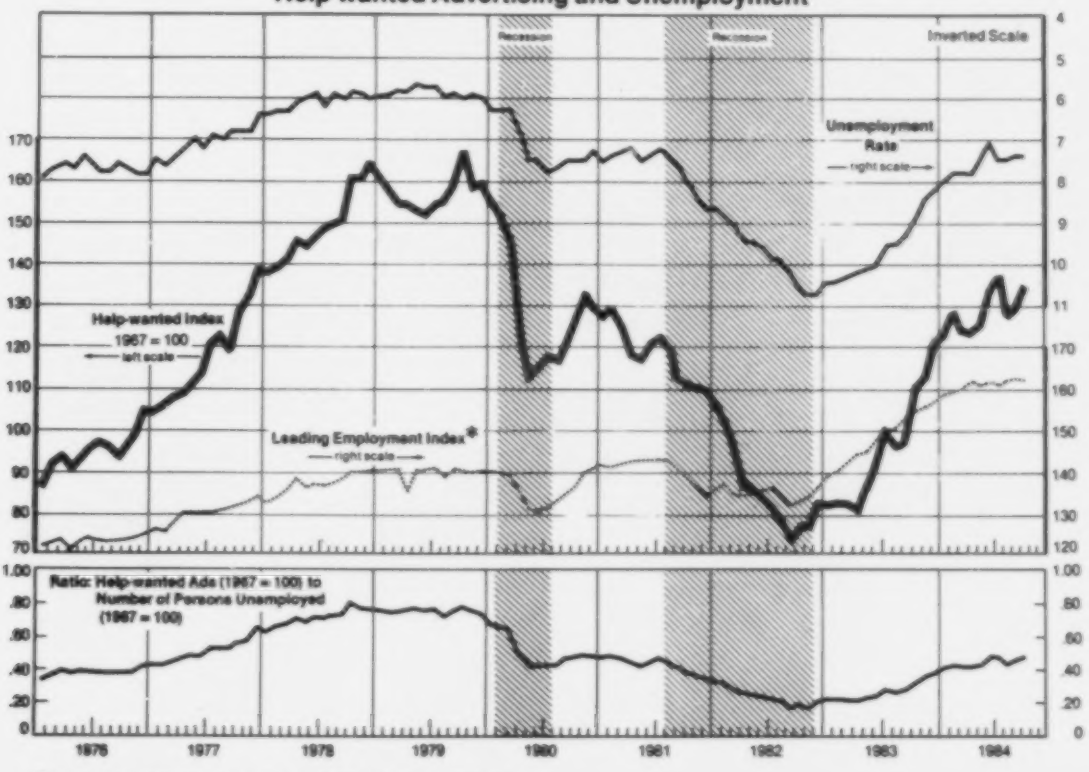
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Sept.	Aug.	July	Sept.
Total Index 51 papers	129	128	138	98
New England	144	146	155	102
Boston	153	155	171	115
Hartford	161	157	151	101
Providence	96	106	106	61
Middle Atlantic	62	60	68	48
Albany	128	95	140	85
Allentown	150	150	202	96
New York	54	52	56	46
Philadelphia	55	53	64	42
Pittsburgh	55	55	63	41
Rochester	70	73	76	46
Syracuse	100	106	113	68
East North Central	78	79	85	53
Chicago	96	102	105	63
Cincinnati	97	85	116	67
Cleveland	57	55	63	37
Columbus	110	102	111	73
Dayton	59	63	67	43
Detroit	50	49	55	37
Gary	100	103	99	83
Indianapolis	80	78	84	47
Milwaukee	57	52	57	38
Toledo	87	85	86	67
West North Central	85	85r	84	57
Kansas City	117	146	114	86
Minneapolis	80	66	76r	45
Omaha	122	131	124	91
St. Louis	60	56r	62	41
South Atlantic	147	148	158	111
Atlanta	275	254	293	189
Baltimore	88	111	93	72
Charlotte	137	134	144	98
Jacksonville	176	192	198	151
Miami	82	78	82	75
Richmond	93	92	108	65
Washington, D.C.	147	146	160	111
East South Central	118	118	136	91
Birmingham	121	129	142	96
Knoxville	174	191	190	149
Louisville	70	72	77	48
Memphis	104	86	111	84
Nashville	154	155	200	115
West South Central	265	266	299	230
Dallas	370	362	422	299
Houston	332	333	369	297
New Orleans	119	125	141	111
Oklahoma City	144	160	174	124
San Antonio	196	195	208	156
Tulsa	159	156	167	121
Mountain	303	292	321	209
Denver	204	205	228	158
Phoenix	419	377	415	281
Salt Lake City	330	340	367	206
Pacific	194	187	192	151
Los Angeles	148	145	153	117
Sacramento	309	304	313	228
San Bernardino	167	151	188	119
San Diego	431	380	391	301
San Francisco	202	200	194	164
Seattle	191	190	172	165
Percentage of papers with rising volume	57%	16%	63%	33%
Unemployment rate	7.4%	7.5%	7.5%	9.2%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0r	91.1p		

Buying Plans Index

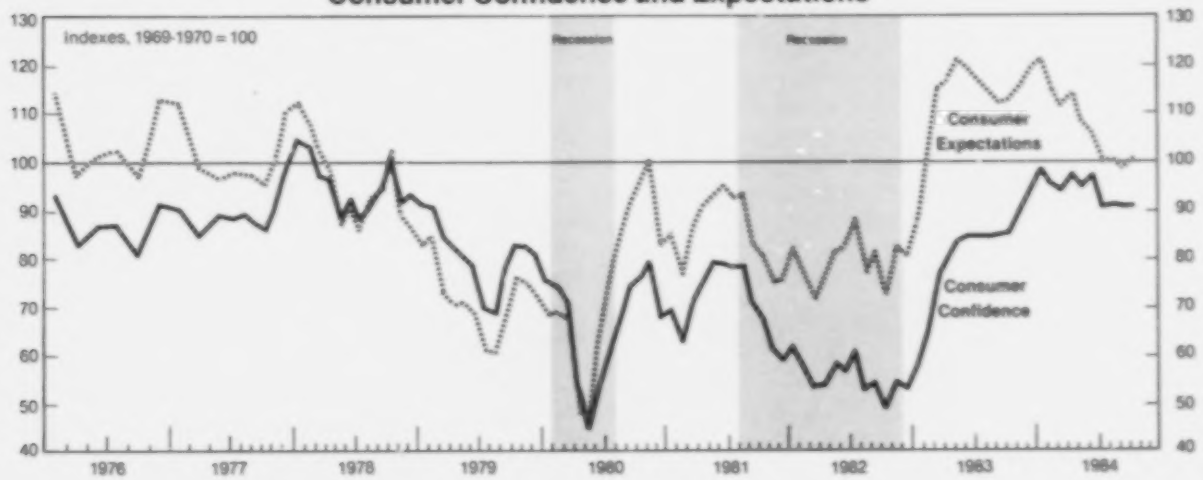
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.9
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3r	104.0p		

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

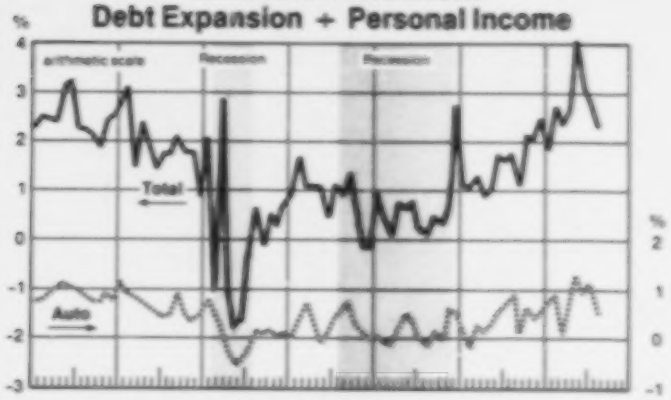
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2456.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

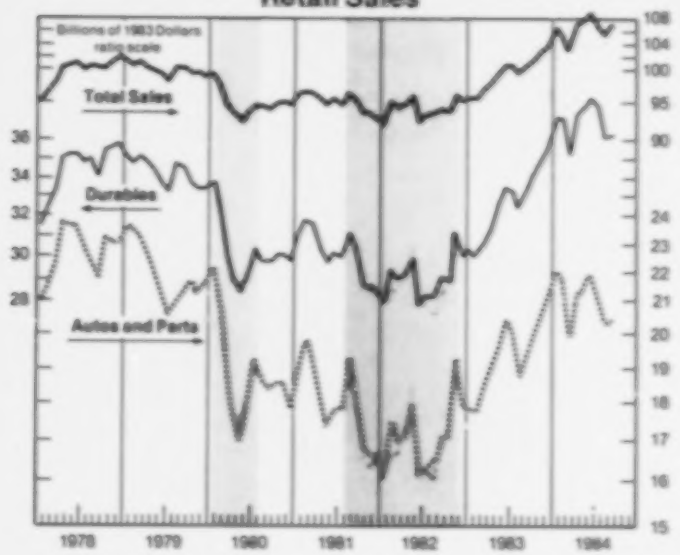
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion + Personal Income



Retail Sales



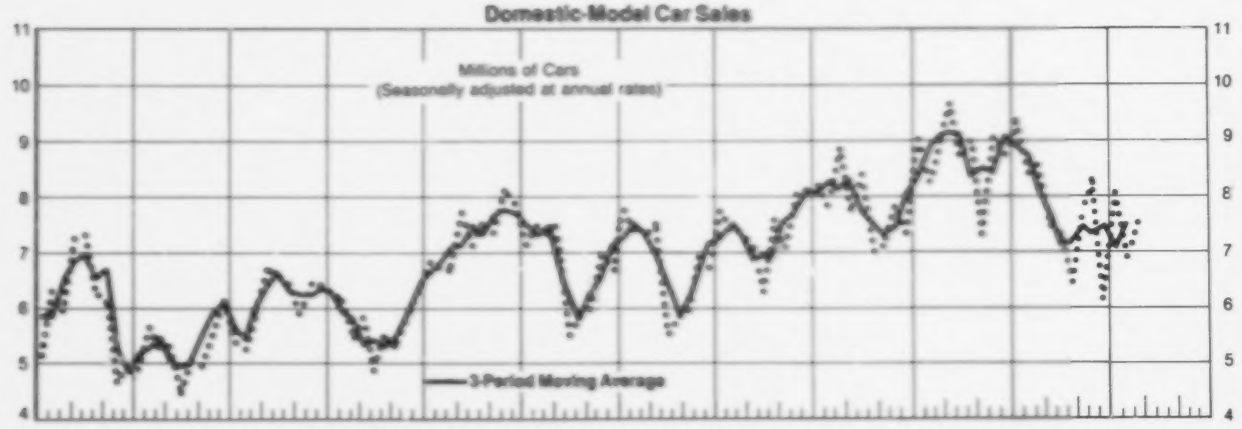
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1981	1982	1983	1984
January:	1-10	6.15	5.57	6.21	8.21
	11-20	6.60	5.56	6.17	7.80
	21-31	6.51	5.00	5.44	8.89
February:	1-10	6.40	6.06	5.81	7.74
	11-20	5.56	5.51	4.85	8.40
	21-28(29)	7.76	5.58	5.59	7.00
March:	1-10	7.66	5.25	5.39	7.08
	11-20	9.66	5.45	5.85	7.80
	21-31	5.05	6.19	6.21	7.37
April:	1-10	6.24	5.16	6.82	9.05
	11-20	6.00	6.36	6.76	8.26
	21-30	6.40	5.94	6.71	9.09
May:	1-10	6.13	7.30	7.72	9.68
	11-20	6.52	7.34	7.07	8.70
	21-31	5.94	6.25	7.55	8.99
June:	1-10	6.09	6.10	7.34	7.37
	11-20	5.99	4.68	8.12	9.12
	21-30	6.06	4.94	7.88	8.74
July:	1-10	6.09	4.92	7.16	9.39
	11-20	6.47	5.61	7.42	8.39
	21-31	5.89	5.30	7.37	8.53
August:	1-10	7.31	5.35	7.51	7.45
	11-20	6.98	4.52	5.53	7.30
	21-31	7.49	5.05	5.88	6.47
September:	1-10	6.88	4.93	5.98	7.76
	11-20	5.73	6.54	6.99	8.25
	21-30	6.36	6.19	6.64	6.12
October:	1-10	5.29	5.40	7.78	8.10
	11-20	5.27	5.25	7.40	6.92
	21-31	5.43	5.80	7.31	7.55
November:	1-10	5.71	6.71	7.13	
	11-20	4.72	6.64	6.23	
	21-30	5.64	6.45	7.59	
December:	1-10	5.14	5.83	7.06	
	11-20	4.74	6.43	8.06	
	21-31	5.00	6.41	8.18	

Note: Dealer sales exclude imports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales